

SARS CONSULTATION PAPER ON VAT MODERNISATION: E-INVOICING, INTEROPERABILITY FRAMEWORK AND E-REPORTING

August 2026



Disclaimer: The contents of this Consultation Paper are based on SARS's current understanding of the proposed VAT modernisation framework and are intended solely to facilitate stakeholder consultation. The views, proposals and implementation considerations set out in this paper may be refined following stakeholder input, further analysis and any applicable legislative or policy processes.

SARS CONSULTATION PAPER ON VAT MODERNISATION: E-INVOICING, INTEROPERABILITY FRAMEWORK AND E-REPORTING

Table of Contents

Executive Summary.....	1
Chapter 1: Introduction and Context.....	3
Chapter 2: Purpose and Objective	3
Chapter 3: Taxpayer Experience Statement	4
Chapter 4: Overview of the Current VAT Administration and Key Constraints	4
Chapter 5: Proposed Model – A Digital VAT Ecosystem	5
What is an e-Invoice?	6
What is an Interoperability Framework (IF)?.....	7
What is e-Reporting?.....	9
Roles and Responsibilities of each Participant in the Digital VAT Model:	10
Chapter 6: Benefits of the Digital VAT Model	12
Chapter 7: Global Trends and International Lessons	14
Chapter 8: Implementation Journey	15
8.1 Phase 1: Preparation	15
8.2 Phase 2: Solution Development	16
8.3 Phase 3: Validation (Quality Assurance Testing)	16
8.4 Phase 4: Pilot	16
8.5 Phase 5: Phased Implementation.....	16
Chapter 9: SARS and Stakeholder Impact and Engagement.....	18
Chapter 10: Conclusion.....	23
Annexure A: Glossary of Terms	25



Executive Summary

The South African Revenue Service (SARS) has embarked on a multiyear modernisation journey as referenced in its SARS Modernisation 3.0 Whitepaper¹. Under the latter programme, the organisation seeks to modernise its tax administration platform into an intelligent, data-driven and digitally enabled system that improves the taxpayer experience, strengthens voluntary compliance and supports more timely, transparent and risk-based administration.

Pursuant to the Value-Added Tax (VAT) Modernisation Discussion Paper of 2023, the Consultation Paper on VAT Modernisation forms a core part of the broader Modernisation Programme. It advances the move from retrospective, declaration-based VAT administration towards structured e-Invoicing, interoperability, e-Reporting and, over time, progressively automated VAT assessment.

VAT Modernisation is a strategic initiative to transform South Africa's VAT ecosystem by automating VAT administration and compliance. The end-state is to ultimately move towards a VAT auto-assessment model, where taxpayers find that tax compliance “just happens” as part of their natural business processes, by sharing near real-time data with SARS. By integrating VAT processes with enterprise resource planning (ERP), accounting, invoicing, and payment systems, the new model aims to reduce manual filing and errors, expedite VAT refunds, and significantly decrease the need for audits or post-hoc verifications. Advanced AI and analytics tools will work in the background to analyse whole-of-value-chain data for discrepancies and risks, enabling SARS to detect fraud and non-compliance earlier and focus interventions on high-risk cases.

The envisioned VAT ecosystem is built on three core pillars: e-Invoicing, an Interoperability Framework (IF), and e-Reporting. These components will establish a Decentralised Continuous Transaction Control and Exchange (DCTCE) model. This

¹ SARS Modernisation Whitepaper 3.0, 2025/26–2029/30, describes SARS Modernisation 3.0 as a programme to transform SARS's tax administration platform into an intelligent digital system embedded with data science and artificial intelligence, including the modernisation of VAT administration.



model is hereinafter referred to as the “Digital VAT Model”. This model is increasingly considered international best practice. Ultimately, it will deliver a compliance-by-design environment that improves certainty, reduces effort, closes the VAT gap and fosters a cooperative, real-time approach to VAT compliance.

The proposed Digital VAT Model aims to reflect international lessons and meet South African needs by balancing robust tax compliance with ease of doing business. The benefits of e-Invoicing, IF and e-Reporting include a better taxpayer experience, efficiency gains for the economy and a stronger tax administration with improved revenue collection, reduced fraud, and improved transparency.

The Digital VAT Model will be implemented in phases, first with a pilot, followed by voluntary and then mandatory adoption. The order in which implementation will follow for specific segments or sectors of the economy may change subject to ease of adoption, risk of compliance, VAT gap indications and other factors. Success will require appropriate on-boarding, assistance and change management from SARS and all stakeholders.

Aligned to SARS’s strategic objective to work with and through stakeholders to improve the tax ecosystem, the Consultation Paper invites all stakeholders to actively participate in co-creating a world-class VAT system for South Africa. It specifically seeks stakeholder input on the design of the Digital VAT Model, the proposed phased implementation pathway, the readiness of taxpayers, software providers and intermediaries; the costs, risks and benefits of adoption, and the governance, standards and safeguards required to support a trusted national Digital VAT ecosystem.



Chapter 1: Introduction and Context

VAT modernisation is driven by a focus on taxpayer experience as the strategic entry point. The goal is to create a frictionless, intelligent VAT ecosystem where “tax just happens”. Under a platform-based approach, SARS will interface seamlessly with natural business system processes. Compliant taxpayers will hardly notice the VAT compliance process because it operates automatically through their regular business transactions. This transformation is both technological and experiential where taxpayers will increasingly encounter a SARS that is easy to engage with, available, fair and consistent.

Tax administrations globally are moving from retrospective, return-based verification towards data-driven compliance models that use structured transaction data closer to the point of economic activity. e-Invoicing and digital reporting improve data quality, reduce duplicate processing and strengthen fraud detection. This enables governments to support more efficient, competitive and transparent markets.

Chapter 2: Purpose and Objective

This Consultation Paper invites structured stakeholder input on the proposed modernisation of South Africa’s VAT administration. Its purpose is to support informed consultation, facilitate a common understanding, test key policy and design choices, and gather practical insights that will help SARS shape a modern, effective and inclusive VAT administration framework.

The proposed modernisation is centred on an ecosystem of e-Invoicing, an IF and e-Reporting. This ecosystem is intended to improve the taxpayer experience, support efficient compliance, enable pre-filled VAT returns and, over time, create the basis for VAT auto-assessment in line with SARS’s strategic vision that “tax just happens”.

This paper seeks stakeholder input on the proposed model, implementation approach, readiness, costs, risks, benefits and enabling requirements. The objective is to obtain



constructive, practical and evidence-based input that will inform refinement of the policy, model and implementation journey.

Chapter 3: Taxpayer Experience Statement

VAT Modernisation presents a future taxpayer experience in which VAT compliance becomes seamless, intelligent and largely automated, operating as a natural part of doing business in a digitally enabled economy. Through secure, interoperable digital channels, structured invoice data flows automatically between business systems and SARS, reducing manual reconciliations, repetitive submissions and retrospective audits. Taxpayers benefit from greater clarity, convenience and trust, with near real-time visibility of VAT liabilities, refunds and compliance status. Routine administrative tasks are simplified through system-driven validation and automated processes, reducing errors at source, improving certainty and enabling faster, risk-based outcomes.

Chapter 4: Overview of the Current VAT Administration and Key Constraints

VAT in South Africa is administered as a self-assessment tax based on the invoice-credit method across the full VAT lifecycle, from registration and invoicing to return submission, payment, refund, verification/audit, dispute resolution and deregistration. Although elements of the system, such as registration, filing and payment, have been digitised, the current framework remains heavily dependent on unstructured invoice data, fragmented systems and manual administration.

SARS uses the post-audit model to verify the VAT submissions with limited visibility of transactional activity only after returns have been submitted. This results in higher compliance costs, greater administrative burden, delayed certainty and refunds for taxpayers, and reduced ability for SARS to address compliance risks, fraud and the VAT gap effectively.

Chapter 5: Proposed Model – A Digital VAT Ecosystem

The proposed model embeds VAT compliance into the ordinary flow of business by enabling secure, continuous exchange and reporting of transactional data through the e-Invoicing, IF and e-Reporting ecosystem. By combining this data with relevant third-party information, SARS will be able to build a trusted data environment that supports AI-driven VAT assessment, greater transparency for taxpayers and more targeted intervention focused on exceptions, anomalies and high-risk behaviour.

The implementation of the Digital VAT Model will require several key changes and transformations in business information processes, illustrated by the table below:

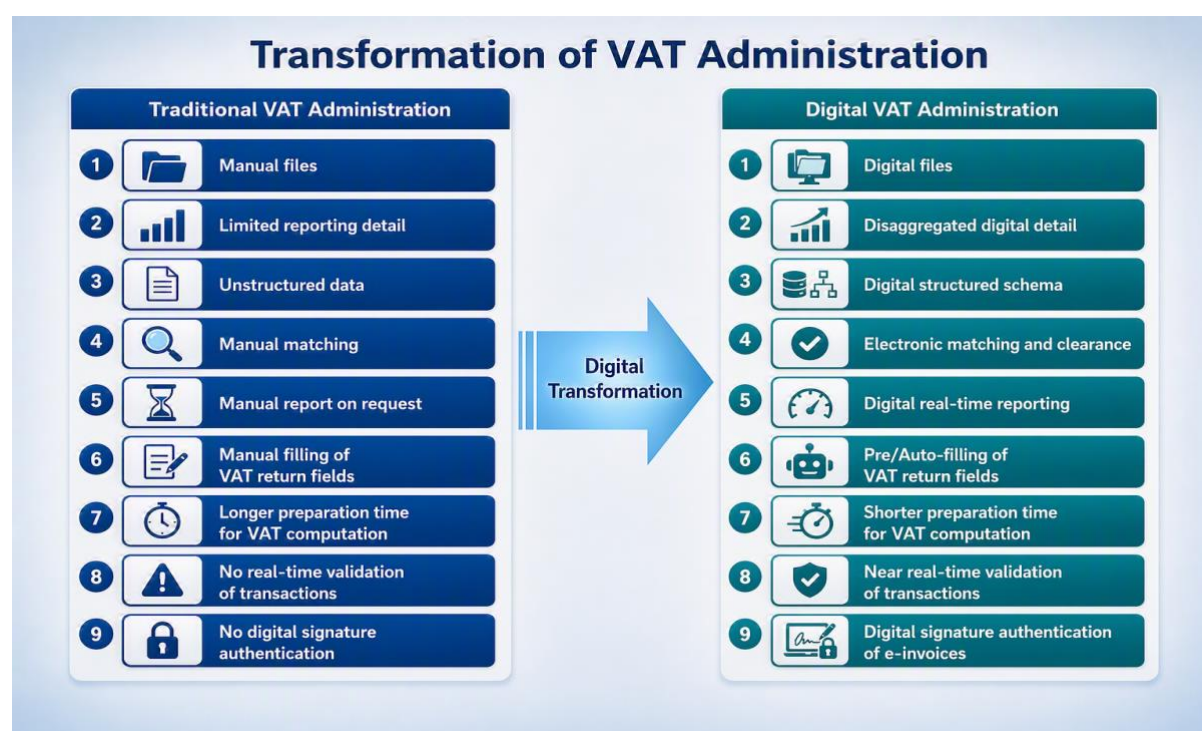


Table 1: Transformation of VAT Administration

SARS proposes a modernised VAT administration model built on three integrated pillars: e-Invoicing, an IF and e-Reporting. Under this model, VAT transaction data flows securely and in near real-time between suppliers, buyers, service providers and SARS, enabling validation at source, improved visibility across the value- chain and progressively



automated VAT compliance. The model supports a shift from retrospective audits to exception-based oversight, where SARS uses trusted transactional data which will, over time support VAT auto-assessment while preserving taxpayer rights to confirm or amend outcomes.

The new ecosystem introduces continuous transaction controls (CTC) using network access points for data message exchange, where e-Invoice data is validated and shared in near real-time as transactions occur.

What is an e-Invoice?

An e-Invoice² is a structured, machine-readable tax invoice, using a prescribed data model, that is issued, transmitted, and received in a structured electronic format which allows for its seamless, automatic and electronic processing into accounting and ERP systems. It is not merely a PDF, scanned image or emailed document. It must contain standardised data elements that enable validation, matching, accounting integration and VAT reporting.

e-Invoices must adhere to an e-Invoice standard/specification (e.g. EN16931 CIUS, UN/CEFACT Cross-Industry Invoice, or Peppol PINT BIS), and the e-Invoice requirements that are prescribed by legislation in the form of Regulations to be proposed. The envisaged technical specifications will, amongst others, address zero rating, deemed supplies and apportionment.

The e-Invoice data can be a defined dataset already extracted from the e-Invoices, sent as electronic messages by the taxpayer; the e-Invoices themselves; or a combination of these.³ To be considered an original document according to tax legislation, e-Invoices must contain all the prescribed information as defined in the tax, commercial, accounting, and competition legislation and regulations. e-Invoices must also adhere to regulations specific to the supplier's sector of activity.

² Applicable to e-debit and e-credit notes.

³ OECD. (2020). *Tax Administration 3.0: The Digital Transformation of Tax Administration*. Online: https://www.oecd.org/en/publications/2020/12/tax-administration-3-0-the-digital-transformation-of-tax-administration_886337a7.html.



It is envisaged that this original e-Invoice/electronic message will be the traditional supporting document equivalent to evidence the VAT liability on the supplier's side, and for VAT deductibility on the recipient's end. It is also the electronic message for each party's accounting systems, recording and justifying turnover for the supplier and the expenditure amounts for the recipient.⁴

VAT transactions that do not ordinarily require an invoice and therefore fall outside the proposed e-Invoicing requirement, such as deemed supplies, sector specific supplies and deductions, will be specifically considered during the consultation and detailed solution-design process.

What is an Interoperability Framework (IF)?

An IF is a decentralised message exchange via a network of service providers, similar to those offering internet or email access. To facilitate the delivery, clearance, validation, and e-Reporting (where relevant) of an e-Invoice between supplier/issuer and buyer/recipient, an IF integrates the parties' information technology (IT) systems. The IF connects suppliers/issuers and buyers/recipients through policies, standards, guidelines and network architecture (where applicable) that enables the exchange of e-Invoices, supporting data and messages in a standardised and compliant form.

The following three concepts are critical to a successful IF:

- a) **Interoperability:** interoperability (working together) should exist irrespective of the IT environment of the taxpayers' e-Invoicing or e-Reporting solution. For example, network addresses used by the service providers and other relevant role-players must be easily discoverable to ensure reliable and secure exchange between the parties to the transaction.
- b) **Security:** to maintain credibility and security, communications within the framework should be limited to authenticated participants (namely, the supplier/issuer, the

⁴ National Forum on Electronic Invoicing and Electronic Public Procurement. 30 September 2019. "Interoperability Charter for the Transmission of Electronic Invoices". Online: <https://fnfe-mpe.org/wp-content/uploads/2019/10/2019-09-30-FNFE-MPE-Interoperability-Charter-Final-EN.pdf>.



buyer/recipient, the revenue authority, and the authorised and accredited service providers).

- c) Standards: the framework defines semantic level standards that collectively constitute a core set of e-Invoice data elements suitable for most supply-chain transactions. e-Invoices should be expressed in the required technical syntax and delivered through established standards for message-transport protocols. e-Invoice delivery and processing should be made possible using a variety of implementation practices and models.⁵

The following are key role-players in an IF:

- Supplier/Issuer.
- Buyer/Recipient.
- Supplier's/Issuer's service provider or access point.
- Buyer's/Recipient's service provider or access point.
- Revenue authority's service provider or access point.

Service providers facilitate the secure and reliable exchange of e-Invoices through the IF. They also check that messages are sent and received correctly while offering additional services. These services can be data transformation/integration and validating documents for compliance against prescribed standards and specifications. For example, service providers can perform decentralised clearance (validation) functions of the e-Invoice and duplex (reporting by both the issuer and recipient) clearance of the e-Invoice data. Suppliers/Buyers and the revenue authority may freely choose their service providers.

A key advantage of a decentralised IF is that it eliminates the risk of a single point of failure. Unlike with centralised clearance and exchange models, many service providers are involved, and if one fails, the others continue to perform the function(s). Another advantage is that the revenue authority may choose to receive only a tax related subset of the complete e-invoice

⁵ Business Payments Coalition. November 2019. "Overview of an e-Invoice Interoperability Framework". Online: <https://businesspaymentscoalition.org/wp-content/uploads/20191031-bpc-overview.pdf>.



data message, after the data quality and compliance are assured by the service providers. The revenue authority also only needs to integrate with, and support, the service providers, and does not need to integrate with all the vendors individually. The service providers manage the bulk of the integration and support services with their clients.

What is e-Reporting?

e-Reporting is a digital system that automatically transmits e-Invoice data to the tax authority. There are different e-Reporting models, such as the post-audit method and CTC, which may include different clearance and exchange mechanisms.

e-Reporting through CTC is a reporting mechanism that involves VAT transactional data, including the e-Invoice data, to be submitted electronically to a revenue authority just before, during, or shortly after the actual exchange of such data between the supplier and the buyer. CTC includes near real-time reporting mechanisms, and the use of data extracted from e-Invoicing processes. It takes advantage of, and complements, e-Invoicing and requires taxpayers to transmit all VAT data from their accounting systems. By incorporating an additional access point into the IF, e-Reporting to the tax authority can be facilitated via the IF.

The Digital VAT Model is depicted in the figure below:

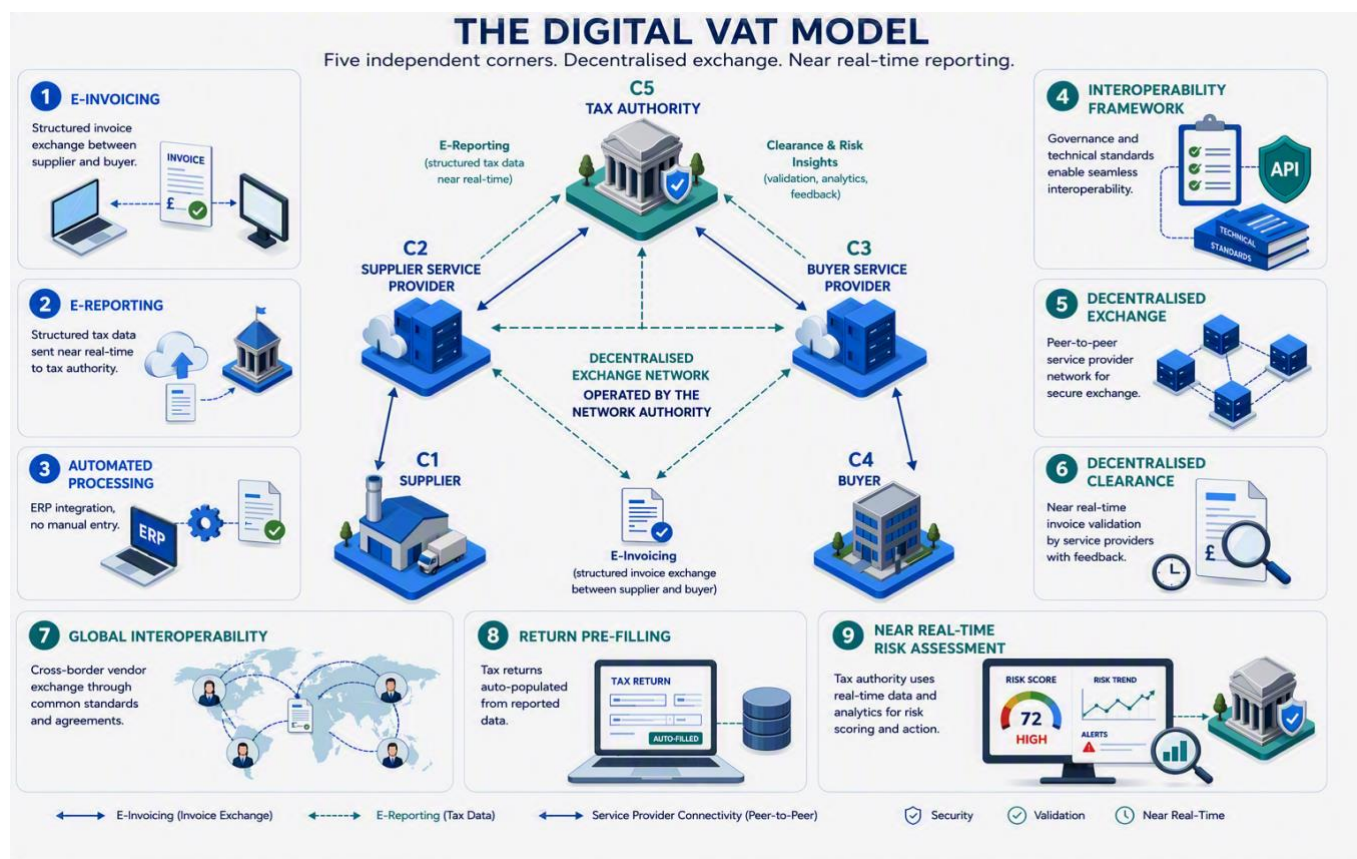


Figure 1: Digital VAT Model

Roles and Responsibilities of each Participant in the Digital VAT Model:

a) Corner One (C1): Supplier/Issuer

- C1 must issue an e-Invoice from its accounting software in digital format. This means that C1 must have accounting software that is capable of issuing (receiving and automatically processing) an e-Invoice, as per the proposed new definition which includes IT and VAT legislative standards. At this stage the e-Invoice is referred to as an uncleared e-Invoice.
- C1 must select, appoint and contract with an accredited IF service provider Corner Two (C2) from a list published by the Network Authority.
- C1 must comply with the rules and regulations of the Network Authority

- 
- C1 must submit the e-Invoice to C2 digitally in near real-time for validation and clearance.

b) Corner Two (C2): Access Point

- C2 must be a certified service provider accredited by the Network Authority.
- C2 must contract with C1 and have the required IT capability to receive e-Invoices from C1, perform decentralised validation and clearance, and transmit the validated e-Invoice to Corner Three (C3) and Corner Five (C5) via the IF network. This involves applying prescribed technical standards and VAT legislative requirements in near real-time. If validation is successful, the e-Invoice is cleared and transmitted, else it is rejected and returned to C1 for correction and re-submission. This process ensures compliance at source and eliminates invalid tax invoices.
- C2 will contract with the Network Authority, and its obligations and performance will be regulated by a service level agreement.

c) Corner Three (C3): Access Point

- C3 must be a certified service provider accredited by the Network Authority.
- C3 must contract with C4 and have the required IT capability and be connected to the IF network to receive e-Invoices from C2 and perform decentralised validation of e-Invoices on behalf of the recipient, Corner Four (C4). Upon successful validation, C3 transmits the e-Invoice in near real-time to C4 and to C5 and sends confirmation to C2. If validation fails, the e-Invoice is returned to C2 for correction and re-submission.
- C3 will contract with the Network Authority, and its obligations and performance will be regulated by a service level agreement.

d) Corner Four (C4): Buyer/Recipient

- C4 must select, appoint and contract with an accredited IF service provider C3 from a list published by the Network Authority.

- C4 receives the cleared e-Invoice from C3 and must have the IT capability to receive, process and respond to e-Invoices within its accounting system, including indicating the VAT status of the acquisition. The e-Invoice is automatically processed, after which C4 sends a response to C3 confirming receipt and accounting VAT treatment (e.g. fully, partially or not claimed). C3 then transmits the e-Invoice and VAT status to C5, forming part of the duplex clearance process where the cleared e-Invoice is reported to C5 by both C2 and C3.
- C4 must comply with the rules and regulations of the Network Authority

e) Corner Five (C5): Tax Authority Access Point

- C5 is the service provider appointed on behalf of SARS. C5 will receive all VAT transactional data of taxpayers (supplier (C1) and recipient (C4)) from C2 and C3. This data will be reported to SARS to be used for risk management and processing. The data will help SARS pre-fill VAT returns (ultimately leading to automatic assessment of VAT), which must be confirmed or edited by the taxpayer to preserve the self-assessment principle.
- C5 must be connected to all service providers operating within the IF.
- C5 will contract with the Network Authority, and its obligations and performance will be regulated by tax legislation and/or a service level agreement.

Chapter 6: Benefits of the Digital VAT Model

- 1) For taxpayers, it reduces compliance effort, improves accuracy, accelerates refunds, and embeds VAT processes within business systems, providing greater real-time visibility and certainty.
- 2) For the economy, it helps close the VAT gap, improves ease of doing business, enables broader digital integration and interoperability both domestically and internationally and improves trade facilitation.
- 3) For SARS and government, it strengthens compliance outcomes through real-time data, improves operational efficiency by focusing on high-risk cases,

enhances procurement efficiency and public sector transparency, and establishes a foundation for wider digital tax administration.

- 4) The Digital VAT Model shifts from a manual, post-audit system to a continuous, data-driven compliance environment.

The table below illustrates how the Digital VAT Model will benefit taxpayers and SARS.

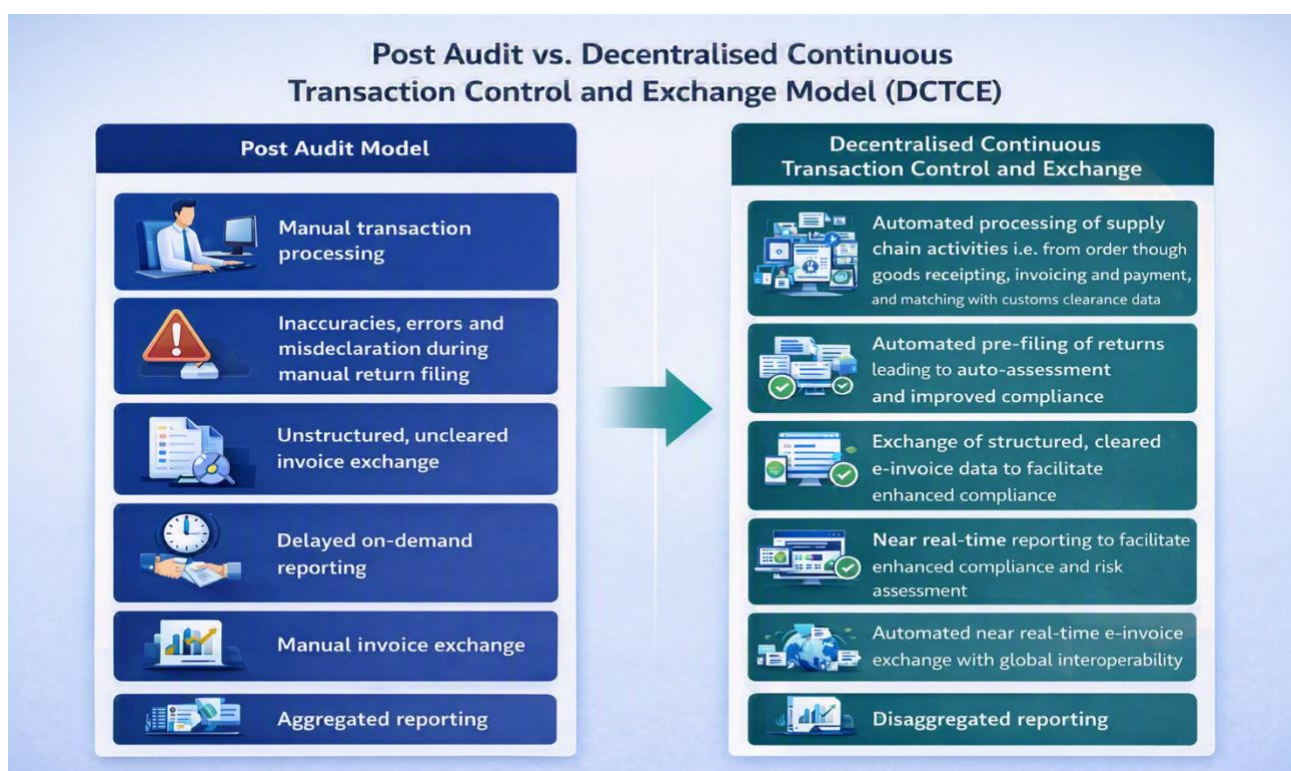


Table 2: Post Audit versus DCTCE



Chapter 7: Global Trends and International Lessons⁶

e-Invoicing and e-Reporting are expanding globally, with countries adopting different approaches to meet situational tax compliance goals.

Latin American countries like Mexico, Brazil, and Chile implemented mandatory real-time e-Invoice clearance for all businesses. Mexico processes approximately 10 billion e-Invoices yearly, sharply reducing fraud. Mexico and Chile reduced their VAT gap by 50 percent. Brazil improved compliance nationwide, with over 2.1 million businesses now issuing e-Invoices and faster fraud detection. These successes demonstrate the revenue gains possible from digital transformation⁷.

Countries in Europe pushed for interoperability. The European Union's ViDA⁸ (VAT in the Digital Age) initiative aims to harmonise e-Invoicing and digital reporting across member states to combat VAT fraud and standardise processes. Countries like Italy have required clearance of all business-to-business (B2B) and business-to-consumer (B2C) invoices via a central platform since 2019, yielding a significant reduction in its VAT gap and near-universal compliance. France plans to implement a five-corner decentralised model for B2B e-Invoicing and reporting.

Asian countries such as India use a phased approach based on turnover thresholds to gradually require e-Invoicing, easing small and medium enterprises into compliance. China is piloting a unified e-Invoicing platform and gradually expanding coverage.

The United States (which has a different tax structure without VAT) has no nationwide B2B e-Invoicing mandate but is running pilots for invoice exchange networks in certain sectors.

⁶ OECD. 28 September 2022. *Tax Administration Digital Transformation and Electronic Invoicing: Initial Findings*. Online: https://www.oecd.org/en/publications/tax-administration-3-0-and-electronic-invoicing_2ffc88ed-en.html.

⁷ OpenText. (2023). *2024 Guide to Global e-Invoicing Mandates*. OpenText Position Paper.

⁸ European Commission (2022). *VAT in the Digital Age – Final Report, Volume 1: Digital Reporting Requirements*.

Chapter 8: Implementation Journey

Implementing the Digital VAT Model in South Africa will be a gradual, inclusive process to ensure stability, manage risk and allow for consultative progressive learning, refinement and stakeholder readiness and buy-in. SARS plans a phased adoption journey that spans preparation, solution development, validation, piloting and a gradual implementation, with voluntary participation supporting early learning and refinement.

The implementation journey is depicted in the figure below:

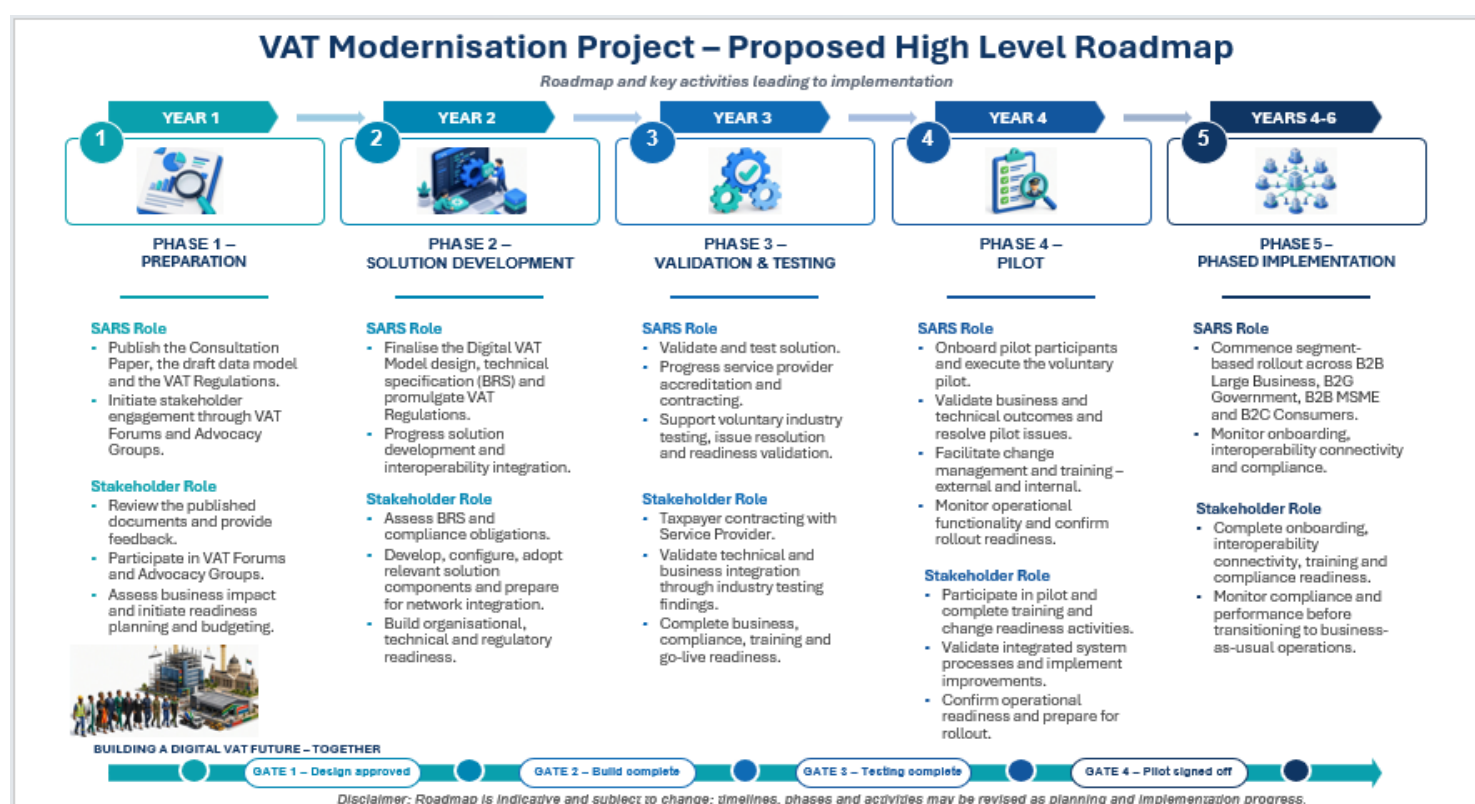


Figure 2: Proposed High Level Roadmap

8.1 Phase 1: Preparation

Phase 1 focuses on research, analysis and extensive stakeholder consultation to refine policy options, assess readiness by segment and inform detailed solution design. Early engagement with industry bodies, service providers and vendors is expected to commence in 2026/2027 and run for approximately 12 months. This phase will also include the publication of draft VAT regulations.



8.2 Phase 2: Solution Development

Phase 2 designs and builds the VAT modernisation solution and the enabling technical, regulatory and governance environment. It includes defining standards, specifications and operating models for connectivity, interoperability and data exchange, and is expected to take approximately 12 months in 2027/2028. This phase will also include the promulgation of the VAT regulations.

8.3 Phase 3: Validation (Quality Assurance Testing)

Phase 3 quality assures the solution in a controlled test environment with voluntary participants to confirm performance, identify practical issues and refine processes before production deployment. Testing will focus on functionality, efficiency and operational readiness, and is expected to run for approximately 6 months in 2028/2029.

8.4 Phase 4: Pilot

Phase 4 conducts a pilot with voluntary participants from priority segments in a production-like environment to test live operations and confirm end-to-end readiness. IT teams will engage in testing with SARS and service providers to iron out technical issues. Lessons learned will inform final refinements ahead of broader rollout, and this phase is expected to last approximately 6 months in 2029/2030.

8.5 Phase 5: Phased Implementation

Phase 5 introduces the solution in stages, guided by mandates and turnover thresholds, and paced by transaction volumes, industry readiness and practical considerations (including sector-specific exceptions and high-risk sectors). Large taxpayers are expected to adopt voluntarily at first, with mandatory adoption introduced later. Voluntary participation by any sector or size of business will be available. The order in which implementation will follow for specific segments or sectors of the economy may change in this phase subject to ease of adoption, risk of compliance, VAT gap indications



and other factors. Implementation is expected to commence during the 2030 calendar year and extend over approximately 36 months.

Phase 5a: Large Taxpayers and Businesses (B2B)

Phase 5a prioritises large taxpayers and businesses, given their more advanced systems and greater capacity to adopt e-Invoicing, integrate with service providers and connect to the IF. Early adoption is expected to unlock automation benefits sooner and encourage uptake across supply chains.

Phase 5b: Business-to-Government (B2G)

Phase 5b extends the solution to government entities to enable mandatory receipt of e-Invoices for procurement, improving visibility, control and transparency. This segment may be prioritised alongside the large business implementation.

Phase 5c: Micro, Small and Medium Enterprises (B2B)

Phase 5c extends implementation to Micro, Small and Medium Enterprises (MSMEs). While benefits are significant, adoption will be progressive over several years due to varying infrastructure capability, supported by appropriate onboarding and assistance.

Phase 5d: Business-to-Consumer (B2C)

Phase 5d covers transactions involving non-VAT-registered taxpayers, businesses and end consumers to strengthen economy-wide visibility. Incentives may be considered to encourage invoice acceptance and validation.



Chapter 9: SARS and Stakeholder Impact and Engagement

SARS is pursuing an inclusive stakeholder engagement and change management approach to support the Digital VAT Model, ensuring stakeholder input informs the design and implementation of a practical VAT system aligned with business and economic realities. SARS will ensure that the Digital VAT Model is supported by clear standards, reliable systems, data security, real-time processing, service-provider accreditation, taxpayer readiness, training, fraud detection, cross-border compatibility, political support and stakeholder consultation.

SARS recognises that the adoption of the Digital VAT Model will require investment in technology, systems integration, process enhancement, organisational readiness and associated operational costs. The extent of these costs will vary depending on the size, complexity and digital maturity of each stakeholder. International experience suggests that while implementation costs may arise in the short term, substantial benefits can be realised through improved automation, enhanced compliance, reduced administrative effort, better data quality and more efficient tax administration. SARS will continue engaging stakeholders throughout the consultation process to understand cost impacts and to explore appropriate support mechanisms, particularly for small and emerging taxpayers.

To achieve the benefits of the Digital VAT Model, different stakeholder groups will need to take certain steps and adapt their operations. Successful adoption of the model requires coordinated changes in technology, processes and people.

9.1 Legislative Impact

VAT modernisation will require the progressive implementation of a clear legislative framework to support e-Invoicing, the IF and associated data-sharing obligations, and e-Reporting. The legislative amendments are intended to provide certainty on the roles, obligations and rights of SARS, taxpayers and service providers, while enabling first voluntary and then mandatory adoption. The framework will be guided by international



best practice, and will define key concepts such as electronic invoices, core invoice elements, semantic data models, syntax, interoperability and e-Reporting. It will also establish standards for electronic invoicing that are technologically neutral, internationally compatible, practical, cost-effective and suitable for MSME's and commercial transactions. Legislative rules will address objections, data protection, certification and authorisation of service providers, secrecy and related governance requirements.

9.2 Impact on Information Technology (IT)

The definition of the Digital VAT Model is a critical decision that will guide the selection, development, configuration and preparation of the IT and software infrastructure required to support implementation in South Africa. This decision will be informed by the preferred Network Authority, the IF, the associated standards and the outcome of the relevant selection and procurement processes currently being finalised by SARS.

Taxpayers must ensure their accounting/ERP systems are compatible with the new e-Invoicing standard. This may involve software updates, enhancements or possible system replacements. IT teams will have to set up connections to chosen IF service providers via secure interfaces and implement necessary data security measures to protect the integrity and confidentiality of transactional data.

Vendors without the required e-Invoicing capability will need to upgrade or adopt suitable accounting, ERP or invoicing software, or use accredited Access Point service providers to convert existing invoice data into the prescribed format. For smaller taxpayers, service-provider portals or simplified digital tools may support a practical and phased transition.

SARS will also engage software providers on tiered subscription models, to consider subsidised or low-cost options.



Given the phased transition to mandatory adoption, legacy and new systems are likely to operate in parallel across segments until full transition is achieved.

9.3 Impact on Finance and Tax Compliance Processes

Taxpayers' finance, accounting, and tax departments will need to adapt their processes from periodic, manual VAT return preparation to continuous transaction monitoring. Instead of compiling data at month-end for returns, they will gradually shift to overseeing automated invoice validations and addressing exceptions that the system flags in real time. This requires rethinking how tasks like invoice reconciliation, tax filing, and record-keeping are managed. Internal controls may also shift to earlier in the process. Over time, the role of finance teams may evolve to focus more on ensuring data quality and handling exceptions rather than doing routine tax calculations.

9.4 Impact on Organisational readiness and training

Change management will be key for both taxpayers and SARS. Taxpayers must plan for training employees to work with new e-Invoice systems or service provider portals. Clear internal communication and possibly revised policies will help smooth the transition from paper or electronic format invoices to fully digital flows. Taxpayers may designate project teams bridging IT, finance, and compliance functions to manage the integration and align all relevant business units. Engaging with industry associations and learning from peers and global experiences can also aid readiness.

9.5 Impact on Intermediary Service Providers

Intermediary service providers, e.g. software vendors, tax practitioners and recognised controlling bodies, are stakeholders that will also be impacted. Their engagement in co-developing the ecosystem is necessary to ensure governance, accreditation, standards oversight, liability rules and security controls for consistency, trust and fair market conduct across the network. This should lower adoption barriers, distribute integration effort across the ecosystem, and enable the Digital VAT Model to operate in practice.



9.6 Support and Collaboration

SARS will adopt an inclusive approach that balances stakeholder needs with SARS's mandate. This will be supported by early and on-going engagement with business, tax practitioners, accounting software firms, industry bodies and relevant government departments. Regular workshops will provide updates, gather feedback and resolve concerns. SARS is committed to working with and through stakeholders. With careful planning, a phased approach, stakeholder collaboration and support, the adoption of the Digital VAT Model in South Africa can be managed in a way that maximises benefits and minimises disruption.

9.7 Large businesses

Most larger taxpayers already use modern ERP or accounting systems and they are well positioned to lead early adoption. These enterprises will need to upgrade their systems or software to issue and receive e-Invoices in the required format, and to select a certified service provider in the IF network to connect with their trading partners and SARS. The adoption of the Digital VAT Model in this segment will probably consist of upgrades rather than substantially new implementations. This will involve integrating their ERP/Accounting system with the selected service provider's platform, testing data flows, and ensuring internal processes such as accounts payable/receivable and VAT workflows are adjusted to handle real-time invoice validation and responses, replacing current manual processes. Large businesses will also need to train finance and IT teams on the new processes and given their capacity, they are expected to realise efficiency gains sooner and help drive adoption in their supply chains.

9.8 Micro, Small and Medium Enterprises (MSME)

MSMEs may face greater challenges in adopting the Digital VAT Model due to limited IT and finance resources and capability. SARS recognizes this and plans to support this segment with appropriate on-boarding and assistance. MSMEs will need to gradually



move away from paper-based, spreadsheets or emailed PDF invoices, to data driven digital invoicing and exchange, by adopting accounting software or service provider solutions. Service-provider portals or simplified digital tools may provide a practical transition path, supported by phased implementation, guidance and onboarding assistance. SARS intends to provide guidance, education, and support channels to help this segment through this transition.

9.9 Government and public entities

The public sector is both a policymaker and a participant in the VAT ecosystem, as buyers of goods and services and can fit in the role of Corner 4 as Buyer/Recipient in the Digital VAT Model. Government departments and public entities will be mandated to accept e-Invoices from suppliers during the relevant phase of the implementation journey. They must ensure that procurement and financial systems can receive and process e-Invoices. Adopting e-Invoicing for public procurement will improve transparency and reduce fraud in public spending. This will require training of staff and upgrading of systems. SARS and government oversight bodies will coordinate to implement consistent standards for government use, aligning with the broader framework.

All Public Sector stakeholders are invited to consider the potential efficiency gains, system readiness and the balance between enhanced compliance and ease of doing business.

9.10 Challenges and Key Success Factors

The main challenges taxpayers will face in adopting the Digital VAT Model include implementation costs, low digital literacy, resistance to change, business disruption, regulatory complexity, system integration, data security and scalability.

These challenges will be addressed through government policy consultation, stakeholder collaboration, suitable technology platforms, long-term cost planning, adaptable software, training, change management and strong data-security controls.



The key success factors are intensive planning, a clear strategy, effective communication and sustained collaboration with stakeholders to ensure successful adoption and implementation.

Chapter 10: Conclusion

The Digital VAT Model is more than a technology upgrade; it is a re-engineering of the VAT ecosystem. The journey is a multi-year programme and requires many components, systems, and role-players to work in unison to realise the full benefits.

The transformation will enable a long-term shift to a digital, transparent and resilient VAT administration. For taxpayers, this delivers a simpler, more predictable experience with reduced effort, increased certainty where “*tax just happens*”.

SARS invites stakeholders to provide feedback to this Consultation Paper, in respect of, but not limited to, digital transformation, technology, change management, implementation timeframes, readiness, costs, challenges and benefits, to ensure collaborative participation in building a world class Digital VAT Model.

Feedback must be provided by 16 October 2026 using the Qualtrics survey link:

https://sars.qualtrics.com/jfe/form/SV_e2NAmnTnnGOBci2

SARS will consider and consolidate all stakeholder submissions. Engagements with key stakeholders, including associations, software vendors, government and public sector bodies and taxpayers will take place, through structured working groups, to solicit detailed feedback on the proposed Digital VAT Model. All engagements will culminate in the development and adoption of the final policy whilst keeping stakeholders updated on developments.

A high-level timeline for the consultation process until policy adoption is as follows:

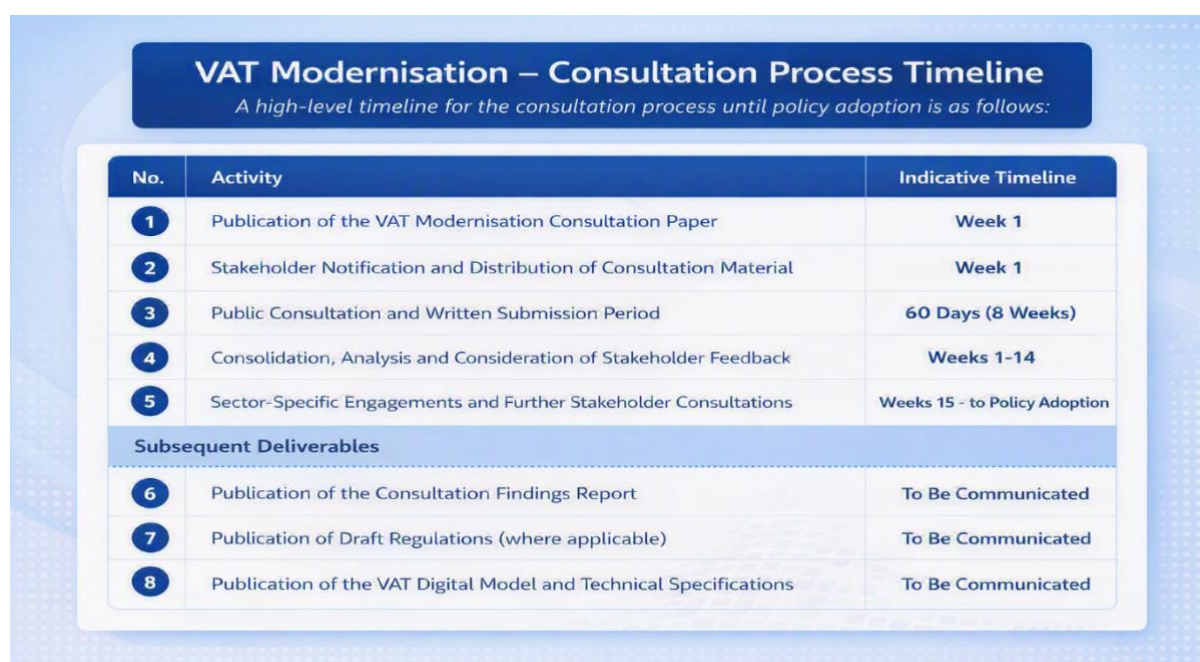


Figure 3: Consultation Process Timeline

Annexure A: Glossary of Terms

This glossary explains key terms used in this Consultation Paper to support a common understanding among taxpayers, service providers, intermediaries, public-sector entities and other stakeholders.

Term	Meaning
Access Point	Is an accredited service provider or technical gateway (C2, C3 and C5) that enables participants to send, receive and route e-Invoices and related messages across an interoperability network.
Auto-assessment	A future VAT administration capability in which SARS uses trusted transactional data to generate or pre-populate VAT liability that taxpayers can review, confirm or amend.
Business-to-Business (B2B)	Transactions between VAT registered businesses.
Business-to-Consumer (B2C)	Transactions between a VAT registered business and an end consumer or non-VAT registered recipient.
Business-to-Government (B2G)	Transactions where a VAT registered business supplies goods or services to a government entity.
Clearance	The process through which an e-Invoice is checked against defined rules before, during or shortly after exchange, and is accepted, rejected or returned for correction.
Continuous Transaction Controls (CTC)	A model where transaction or invoice data is validated, reported or made available to SARS in real-time or near real-time as part of the business process.
Corner One (C1)	The supplier or issuer of an e-Invoice in the proposed Digital VAT Model.
Corner Two (C2)	The supplier's service provider or Access Point that receives, validates and routes the e-Invoice from Corner One.
Corner Three (C3)	The buyer's service provider or Access Point that receives and processes the e-Invoice for delivery to Corner Four.
Corner Four (C4)	The buyer or recipient of the e-Invoice in the proposed Digital VAT Model.
Corner Five (C5)	SARS's service provider or Access Point, that receives prescribed VAT transactional data for risk analysis, validation, pre-filled returns and future auto-assessment capabilities.

Term	Meaning
Data Model	The defined structure, fields and rules that determine what information must be included in an e-Invoice or e-Reporting submission.
Decentralised clearance	A system where e-Invoices are cleared by accredited service providers rather than a single central authority.
Digital VAT Ecosystem	The integrated environment of taxpayers, SARS, service providers, standards, systems and governance arrangements that enable e-Invoicing, interoperability and e-Reporting.
Digital VAT Model	The proposed SARS 5-corner DCTCE operating model that combines e-Invoicing, an interoperability framework and e-Reporting to modernise VAT administration.
Enterprise Resource Planning (ERP)	An integrated business system used to manage financial, procurement, sales, inventory and operational processes.
Five-Corner Model	An interoperability model involving the supplier, supplier's service provider, buyer's service provider, buyer and SARS's service provider as the fifth corner.
Interoperability	The ability of different systems, organisations and service providers to exchange and process information using common standards, rules and security requirements.
Machine-readable	Information structured in a format that can be interpreted, validated and processed automatically by computer systems.
MSME	Micro, small and medium enterprise.
Near Real-Time	A short timeframe close to the point at which a transaction occurs or an invoice is issued, received or processed as will be defined in legislation and subject to public comment.
Network Authority	The governing body responsible for setting, maintaining, managing and enforcing the technical and legal rules within a decentralised electronic document exchange network.
Pre-filled VAT Return	A VAT return that is partially or fully populated using data already available to SARS from trusted transactional sources.
Post-audit method	A review process used by SARS to retrospectively verify compliance after the transaction has taken place and the VAT return has been submitted.
SARS	South African Revenue Service



Term	Meaning
Structured Data	Data organised according to a defined format, schema or standard so that it can be processed automatically.
Taxpayer Experience	The practical experience taxpayers have when interacting with SARS including ease of compliance, certainty, fairness, responsiveness and administrative effort.
Validation	The process of checking invoice or reporting data against defined technical, business and tax rules.
VAT	Value-Added Tax
VAT Gap	The difference between expected VAT revenue and the VAT actually collected often caused by non-compliance, errors, fraud or administrative limitations.